

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

CR 20-291 DSD/DTS

UNITED STATES OF AMERICA,

INDICTMENT

Plaintiff,

18 U.S.C. § 2

18 U.S.C. § 1341

v.

18 U.S.C. § 981(a)(1)(C)

18 U.S.C. § 2461(c)

1. GREGORY CARL KOCH and
2. JEROME DAVID KANGAS,

Defendants.

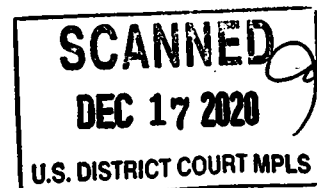
THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTION

1. From approximately 2013 to June 2018, GREGORY CARL KOCH and JEROME DAVID KANGAS used their positions as Manager of Retail Operations and Continuous Pulmonary Airway Pressure (CPAP) clinician, respectively, at Victim Company to defraud Victim Company out of more than \$505,000 through false and fraudulent pretenses, representations, promises and omissions of material facts.

2. At all times relevant to this Indictment, Victim Company was a health care provider located in the State and District of Minnesota.

3. At all times relevant to this Indictment, GREGORY CARL KOCH was a resident of the State and District of Minnesota. In or about May 2011, KOCH was hired as a CPAP Clinician at Victim Company. KOCH was promoted to Manager of Retail Operations at Victim Company in approximately 2012. His job responsibilities included



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oversight of sales of CPAP machines at one of Victim Company's retail locations, as well as the supervision of numerous full and part-time ("casual") CPAP clinicians.

4. At all times relevant to this Indictment, JEROME DAVID KANGAS was a resident of the State and District of Minnesota. From approximately June 2013 until June 2018, KANGAS was employed by Victim Company as a "casual" CPAP clinician. KANGAS' job responsibilities included instructing and educating customers regarding the use and maintenance of CPAP machines.

SCHEME TO DEFRAUD

5. Between approximately June 2013 and June 2018, defendants GREGORY CARL KOCH and JEROME DAVID KANGAS, each aiding and abetting the other, knowingly and intentionally devised and executed a scheme and artifice to defraud and to obtain money from Victim Company by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts.

6. It was part of the scheme to defraud that, after he was promoted to Manager of Retail Sales for Victim Company, KOCH assisted KANGAS in becoming a Victim Company employee supervised by KOCH for the purpose of embezzling Victim Company's funds.

7. It was part of the scheme to defraud that, in his supervisory capacity, KOCH allocated to KANGAS certain overtime pay, referred to as "pager pay," to which he was not entitled to increase bi-weekly payroll checks issued to KANGAS by Victim Company. "Pager pay" was compensation to which CPAP clinicians were entitled for responding to calls from Victim Company customers outside of regular business hours.

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8. It was part of the scheme to defraud that KOCH entered and approved falsified work hours for KANGAS in Victim Company's electronic time entry system, despite knowing that KANGAS did not work those hours. Over the five-year period that KANGAS ostensibly worked for Victim Company, KOCH approved over 38,000 hours of regular, weekend and overtime (including "pager pay") work on KANGAS' behalf.

9. It was part of the scheme to defraud that KOCH caused Victim Company to issue bi-weekly payroll checks to KANGAS based on the fraudulent work hours KOCH entered in Victim Company's time entry system.

10. It was part of the scheme to defraud that KANGAS received the bi-weekly payroll checks from Victim Company by mail and deposited them into his Wells Fargo Bank account, even though he well knew that he did not work the hours for which Victim Company paid him.

11. Through the scheme and artifice to defraud described above, the defendants GREGORY CARL KOCH and JEROME DAVID KANGAS caused Victim Company to pay approximately \$505,000 in wages to KANGAS for work that he did not perform.

COUNTS 1-5
(Mail Fraud)

12. Paragraphs 1 through 11 are incorporated by reference as if fully set forth herein.

13. On or about the dates set forth below, in the State and District of Minnesota, the defendants,

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JEROME DAVID KANGAS,**

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each aiding and abetting the other, for the purpose of executing and attempting to execute the above-described scheme and artifice to defraud, knowingly sent and caused to be sent, delivered and moved by the United States Postal Service, according to the directions thereon, various mailings, items and things, as described below:

<u>Count</u>	<u>Date of Mailing (on or about)</u>	<u>Mailing</u>
1	March 18, 2016	Payroll check in the amount of \$2,254.96 mailed to KANGAS by Victim Company
2	November 25, 2016	Payroll check in the amount of \$2,337.89 mailed to KANGAS by Victim Company
3	September 1, 2017	Payroll check in the amount of \$1,849.61 mailed to KANGAS by Victim Company
4	February 16, 2018	Payroll check in the amount of \$2,453.44 mailed to KANGAS by Victim Company
5	April 27, 2018	Payroll check in the amount of \$2,414.25 mailed to KANGAS by Victim Company

all in violation of Title 18, United States Code, Sections 1341 and 2.

FORFEITURE ALLEGATIONS

The allegations contained in Counts 1 through 5 are hereby re-alleged and incorporated by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C), as incorporated by Title 28, United States Code, Section 2461.

Upon conviction of Counts 1 through 6 of this Indictment, the defendants shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), any property constituting, or derived from, proceeds traceable to the violations of Title 18, United States Code, Section 1341.

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If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON